



OFFICE OF  
INSURANCE COMMISSIONER

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**Before the Insurance Commissioner  
Of the State of Washington**

In the Matter of

Number D 00-91

GROUP HEALTH COOPERATIVE OF  
PUGET SOUND

CONSENT ORDER

WITH

A registered health maintenance  
organization

STIPULATIONS

GROUP HEALTH COOPERATIVE OF PUGET SOUND (hereinafter called GHC) is the holder of a certificate of registration as a domestic health maintenance organization, which was duly and properly issued by the Washington State Insurance commissioner. GHC is, therefore, governed by the provisions of Title 48 RCW.

This administrative action is based on allegations that GHC violated certain sections of Title 48 RCW relating to financial reporting as specified herein. GHC denies any wrong doing harming any consumer of insurance in this state and disputes the allegations as stated by the Office of Insurance Commissioner ("Commissioner").

To resolve all issues involved in the allegations in this matter, including those stated in the OIC's May 1, 2000 letter of allegations and related allegations up to and including the date of this Order, to eliminate the necessity for a hearing, and as a negotiated settlement of the Commissioner's allegations, GHC has voluntarily executed this Consent to Order and stipulates to the entry of the Order contained herein.

STIPULATIONS:

1. RCW 48.46.080 requires GHC to file an annual financial statement with the Insurance Commissioner.
2. WAC 284-07-050 requires GHC, in the filing of its annual financial statement, to "adhere to the appropriate Annual Statement Instructions and the Accounting Practices and Procedures Manuals promulgated by the NAIC."
3. GHC filed its annual statement for 1997 in a way that did not adhere to the Annual Statement Instructions and the Accounting Practices and Procedures Manuals promulgated by the



- NAIC, in that its investments in subsidiaries were not reported in the manner prescribed therein. No harm to consumers resulted from GHC's error.
4. GHC filed its annual statement for 1997 in a way that did not adhere to the Annual Statement Instructions and the Accounting Practices and Procedures Manuals promulgated by the NAIC, in that it failed to report all receivables and payables related to affiliates in the manner prescribed therein. No harm to consumers resulted from GHC's error.
  5. GHC filed its annual statement for 1997 in a way that did not adhere to the Annual Statement Instructions and the Accounting Practices and Procedures Manuals promulgated by the NAIC, in that it did not include a common Schedule Y-Part 2 reporting the same amounts as its affiliates in the manner prescribed therein. No harm to consumers resulted from GHC's error.
  6. RCW 48.46.030 requires a list the names and addresses of members of the board of directors as part of the information to support the issuance of a certificate of registration as a health maintenance organization. That statute also requires the health maintenance organization to notify the Commissioner when any information supporting the application for registration changes. RCW 48.46.080 requires a list of names and addresses of members of the board of directors to be filed as part of the annual statement. RCW 48.03.040 requires the Commissioner to mail examination reports to the home address of the members of the board of directors. Annual Statement filing instructions require a listing of names and home addresses of members of the board of directors. GHC filed its 1997 annual statement listing only the names of its board of directors, and failed to correct the deficiency when it was noted by the Commissioner. GHC did file a list of both names and home addresses of its board of directors with the NAIC.
  7. RCW 48.46.130 authorizes the Commissioner to investigate alleged violations of Title 48 RCW and Title 284 WAC and to enter appropriate orders. RCW 48.46.135 authorizes the Commissioner to impose a fine in lieu of or in addition to a suspension, revocation, or refusal to renew a certificate of registration.
  8. WAC 284-30-650 requires GHC to make prompt responses to inquiries from the Commissioner. That rule provides for a response within fifteen business days, if no earlier reasonable response date is identified in the Commissioner's inquiry. GHC did not fully and timely respond to all of the Commissioner's inquiries concerning its 1997 annual statement.

#### FINDINGS:

Based on the above and foregoing Stipulations, the Commissioner finds:

1. That GHC's 1997 annual statement did not adhere to the Annual Statement Instructions and the Accounting Practices and Procedures Manuals promulgated by the NAIC.
2. That GHC's 1997 annual statement did not report the addresses of the members of its board of directors.
3. That GHC failed to fully and timely respond to all of the Commissioner's inquiries concerning its 1997 annual statement.

#### CONSENT TO ORDER:



Based on the above and foregoing stipulations and findings, as a part of the negotiated settlement of the above and foregoing allegations and in consideration of the Order which appears below, GHC hereby consents to:

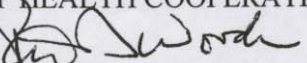
1. Pay a fine in the amount of \$500.
2. Make system changes necessary to ensure timely proper filing of annual statements that adhere to the Annual Statement Instructions and the Accounting Practices and Procedures Manuals promulgated by the NAIC.
3. Make timely responses to notices by the Commissioner to correct deficiencies in annual statement filings.

This consent includes a waiver of notice and opportunity for hearing provided in RCW 48.46.130. This consent constitutes GHC's request to withdraw its demand for hearing in this matter and a request that the Order below be accepted as a full and final settlement of those matters pending before the Commissioner in Matter number D 2000-91, and that such matter be terminated and dismissed.

Signed this 15 day of March, 2001.

GROUP HEALTH COOPERATIVE OF PUGET SOUND

By:



RICK D. WOODS

Title: VICE PRESIDENT + GENERAL COUNSEL

#### CONCLUSIONS:

Based on the above and foregoing stipulations, findings, and consent to order, the Commissioner concludes that:

1. GHC failed to file its 1997 annual statement in a manner that adhered to the Annual Statement Instructions and the Accounting Practices and Procedures Manuals promulgated by the NAIC and thereby violated portions of Title 48 RCW and Title 284 WAC concerning the filing of its 1997 annual statement.
2. GHC failed to fully and timely respond to all of the Commissioner's inquiries concerning its 1997 annual statement and thereby violated a portion of Title 284 WAC concerning timely responses to inquiries from the Commissioner.
3. GHC's violations provide grounds for suspending or revoking its certificate of registration as a health maintenance organization, but the public interest is better served by assessing a fine in lieu of suspension or revocation.

#### ORDER:

IT IS ORDERED that pursuant to RCW 48.46.135, the foregoing Stipulations, Findings, and Consent to Order, are hereby approved and agreed.

IT IS FURTHER ORDERED that GHC pay a fine in the total amount of \$500 to the Commissioner within 30 days of the date of this Order.

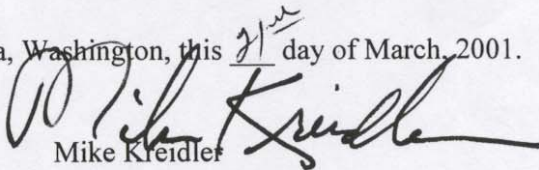
IT IS FURTHER ORDERED that GHC make system changes necessary to ensure timely proper filing of annual statements that adhere to the Annual Statement Instructions and the Accounting Practices and Procedures Manuals promulgated by the NAIC.

IT IS FURTHER ORDERED that GHC make timely responses to notices by the Commissioner to correct deficiencies in annual statement filings.

IT IS FURTHER ORDERED that neither GHC nor the Commissioner shall make any press releases, which are defined to include web site postings, that single out, highlight, or otherwise emphasize the fact of or content of this Consent Order. This paragraph does not preclude the Commissioner from including reference to this order in other listings, whether web site or hard copy, as long as the reference is presented in the same manner and on the same basis as references to orders involving other regulated entities.

Upon failure to pay the fine when due, the Commissioner may revoke GHC's certificate of registration as a health maintenance organization, and the fine shall be recovered in a civil action brought on behalf of the Commissioner by the Attorney General. Upon failure of GHC to take the other corrective actions noted above, the Commissioner may institute any action provided by Title 48 RCW.

SIGNED and ENTERED, at Olympia, Washington, this 21<sup>st</sup> day of March, 2001.

  
Mike Kreidler  
Insurance Commissioner